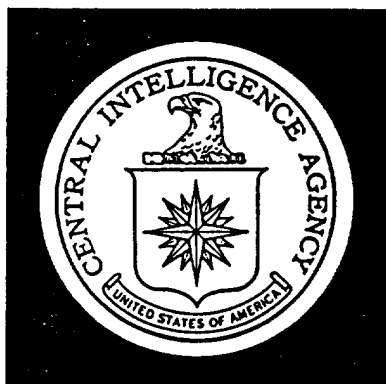


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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

*The Postelection Outlook in Panama*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
5 August 1968

INTELLIGENCE MEMORANDUM

The Postelection Outlook in Panama

Summary

Arnulfo Arias will enter the presidency on 1 October following one of the most vicious political campaigns in Panama's history. His victory over the government candidate resulted in a prolonged legal struggle over the vote counting for deputies to the National Assembly and the composition of the assembly remains undetermined. Arias is trying to arrange a two-thirds majority in order to give his National Union coalition control of the assembly.

So far Arias has indicated a willingness to tackle Panama's many problems. The unpredictable nature of the man makes it difficult, however, to determine whether he will remain reasonable once in office or will return to the authoritarianism of his earlier, short-lived administrations. Although he appears anxious to maintain good relations with the US, and to have laid the groundwork for close cooperation, his handling of the canal treaty issue will be central to the course of future US-Panamanian relations.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates, the Office of Economic Research, and the Clandestine Services.

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### Aftermath of the 1968 Election

1. It is now all but certain that Arnulfo Arias will assume the presidency for a third time on 1 October. His victory in May followed what is generally conceded as one of the most vicious political campaigns in Panamanian history. The election itself was characterized by flagrant fraud--exceptional even by Panamanian standards--on the part of the government. These tactics backfired, however, when criticism of election irregularities and efforts to rig the returns in favor of government candidate David Samudio caused National Guard Commandant Vallarino to shift his support to Arias.



Arnulfo Arias President-Elect of Panama

2. President Robles appears to have accepted Arias' victory, but Samudio and his die-hard followers have not. Thus far, however, their attempts to deny the legitimacy of the National Elections Board's decision in favor of Arias have done little more than prolong tensions; they are unlikely to preclude installation of an Arias administration in October. Even if Arias is removed from office at some future date, those who control the power levers are not likely to look to Samudio as a successor regardless of what his legal claims may be.

3. The focal point of postelection political activity has been the struggle for control of the Electoral Tribunal, which is legally designated as the final arbiter of electoral disputes. During the past several months, National Union (NU) leader Arias has used his majority on the elections board to stall the vote count for deputies to the unicameral National Assembly while his supporters sought to gain ascendancy on the three-member tribunal. The impasse was broken on 23 July when the National Guard escorted an Arias partisan to his seat on the tribunal, removing the threat that it would rule for Samudio in any dispute over the vote count. Arias has stated privately that he is determined to arrange the "election" of enough deputies to ensure future passage of his proposed legislation. He reportedly has won a simple majority in the

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assembly, and if he has his way, he may get a two-thirds majority, or 28 of a total 42 seats.

4. Whatever the outcome of the current legal imbroglio, the constitutional questions surrounding the electoral controversy are likely to provide contentious issues for months to come. Samudio has still not given up, but he appears to have exhausted most of the available legal channels. In view of Samudio's lack of popular support, however, efforts by his news media to maintain the fiction of his "victory" are likely to fare poorly. Most of the elite families of Panama have demonstrated their willingness to go to almost any extremes--they have already formed an alliance with their old enemy Arias--to keep Samudio from the presidency. The most that Samudio can hope for is to win enough adherents in the National Assembly to oppose whatever programs the Arias administration introduces. Left-wing journalists aligned with Samudio have already adopted the line that Arias was forced on Panama by the US, in collusion with the National Guard, as a means of ensuring adoption of canal treaties detrimental to Panama. While this campaign is in part an alibi for defeat, it may presage the opposition line for the next assembly session.

#### Arias' Preinaugural Preparations

5. In what is ostensibly a vigorous and sincere attempt to gear his prospective administration for a good start, Arias has begun to lay the groundwork for a program encompassing a broad range of economic, social, and administrative reforms. His appointment of a number of commissions to study problems such as unemployment, housing, education, agrarian reform, and government reorganization seems to indicate a favorable disposition toward the goals of the Alliance for Progress. On the other hand, this could be merely a facade to keep his followers occupied and interested during the last days of the lame-duck Robles administration. Arias has asked for, and received, US Embassy briefings

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on the USAID program in Panama for his top-level advisers. [REDACTED]

1.5(d)  
3.4(b)(6)

[REDACTED] Although the president-elect and his colleagues have indicated an interest in moving rapidly to accomplish a great deal during the next four years, Arias may well change his posture according to his personal whims once in power. It is much too early to predict whether this enthusiasm will be translated into action once Arias is at the helm, but a rapport has been established that could provide a positive basis for future relations with the US.

6. Arias has not yet disclosed his intentions about cabinet appointments, presumably to avoid strains within his coalition before the inauguration. His current allies, representing a large segment of the oligarchy, have traditionally taken the lion's share of the spoils of office and they are cautiously awaiting the first move from Arias. They are probably counting on substantial returns for their investment in Arnulfo, and the bargaining over patronage could be the first real test for the disparate alliance. Since Arias is not known either for his tact or ability to compromise, old suspicions and animosities could be revived if a dispute develops over the division of governmental appointments. Arias apparently is aware of this potential dilemma, and may exercise restraint in order to avoid the pitfalls of his earlier short-lived administrations. In addition, Arias may have to rely heavily on talent from other NU parties because of the scarcity of experienced personnel within his own Panamenista Party. It has been over 17 years since he was last in the presidency, and very few new faces have appeared in the upper echelons of the party during that time.

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### Canal Treaties Issue

7. Arias has generally avoided comment on the canal treaties since the election, and instead has concentrated on domestic issues. Moreover, his advisers have given the impression that they do not expect an early conclusion of treaty negotiations. It is possible that Arias is reluctant to raise this sensitive issue until he has had a chance to consider it after he takes office.

### Arias and the National Guard

8. Despite the surface rapprochement between Arias and National Guard Commandant Vallarino, the president-elect continues to espouse deep reservations about the loyalty of the guard chief and his key officers. The guard's ubiquitous role in the impeachment crisis last March and subsequently in the national elections has intensified Arias' distrust of the organization and concern over its position as final arbiter in Panamanian politics. While he is obviously content to let matters ride on this issue for the moment, there are indications that he is considering a drastic reorganization to give himself a firm grip over the military establishment after he takes office in October. Without complete control, Arias fears a repeat of the episode in 1951 when he was removed from office in a violent confrontation with guard forces.

9. Although it is generally accepted that General Vallarino will have to resign or be removed, many officers would balk at any wholesale overhaul of the guard. Even Arias' current allies are keenly aware of their need for guard support in the event that Arias returns to the authoritarianism of his past administrations, and they would probably look askance at any arbitrary attempts to alter the command structure. Such a move might spark a combined attempt by the guard and the oligarchy to topple Arias and replace him with the vice president--one of their own; this scenario has been used in Panama in the past.

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### Social and Economic Conditions

10. The crisis surrounding the election has had only a small effect on Panama's economy. Uncertainty over the outlook for political stability and the wait-and-see attitude with respect to government policy under Arias have resulted in some slackening in foreign investment, but the rapid growth that has characterized the economy in recent years has not been seriously interrupted. Predictably, the benefits of this growth have been felt mainly by the wealthy classes, although unemployment is not quite as serious as it was several years ago. Rural underemployment continues, however, to be a problem. Efforts by the Robles government to attack urban poverty, begun in 1967, are only beginning to be felt. Slum areas bordering the Canal Zone have long been a focal point of social and political discontent, and efforts to eradicate them are only beginning. Modest US financial aid will probably remain essential for rapid social gains under the Alliance for Progress.

11. President-elect Arias has promised that his government will alleviate the socio-economic ills that have plagued Panama's rapidly growing urban population and the masses of near-subsistence agricultural workers in the interior. His ability to meet his political commitment to raise living conditions--without reversing Panama's positive growth trend--will depend on the extent to which he can push reforms without alienating his conservative partners in the National Union and the foreign investors who have fueled much of the recent economic boom. Arias could find himself caught in the same situation as incumbent President Robles, who was unable to introduce needed reform measures because of pressures from the oligarchy and the need to reserve whatever strength he had in the legislature for treaty ratification. Although Arias' campaign platform was moderate by Panamanian standards, his administration may reflect the unpredictable and contradictory nature of the man himself.

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### Outlook

12. There are reasons for cautious optimism regarding Panamanian prospects over the short term. Arias seems interested in attacking Panama's myriad problems as well as in maintaining close relations with the US. He will probably face formidable difficulties, however, in keeping the National Guard and the oligarchy on his side, and any hint of a return to his earlier authoritarianism would erode their support. Arias probably regards his election victory as a mandate for improving the lot of the lower classes and seeking a canal treaty beneficial to Panama. His overwhelming concern now appears to be the formation of his government and the policies it will pursue, but he will probably return to the dominant topic of a canal treaty revision as soon as a new administration is inaugurated in the US.

13. Arias will be 67 in August and presumably this is his last crack at the presidency. He would like to be the president who achieves abrogation of the 1903 canal treaty and ratification of a new pact. Much will depend, however, on what he demands from the US in renegotiation and, if a settlement is concluded, how well he can mobilize something approaching a consensus for enactment.

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